

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7115

BILL NUMBER: SB 363

DATE PREPARED: Jan 11, 2001

BILL AMENDED:

SUBJECT: Tobacco Retailers.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a person who:

- (1) sells a tobacco product at retail;
- (2) sells a tobacco product from a vending machine; or
- (3) distributes a tobacco product to the public without charge; to register with the Indiana Alcoholic Beverage Commission.

The bill requires a person to register each location where the person wishes to sell or distribute tobacco products. The bill provides the Alcoholic Beverage Commission with the same powers over tobacco products that the Commission has over alcohol and alcoholic beverages.

The bill establishes a \$25 annual tobacco products retailer's registration fee. The bill also creates the Youth Antismoking Education Fund. The bill deposits fees from tobacco products retailer's registrations into the fund. The bill requires the State Department of Health to administer the fund. It also removes obsolete language.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (1) This provision requires the Alcoholic Beverage Commission (ABC) to issue permits to individuals who do the following: (a) sell tobacco products at retail, (b) sell a tobacco product from a vending machine, or (c) distribute a tobacco product to the public without charge. Sellers of tobacco products would have to be registered as of January 1, 2002.

Based on U.S. Census 1997 *Economic Census* data it estimated that tobacco products are sold at approximately 17,500 locations statewide. This estimate includes stores, hotels, restaurants, and bars. It does not include vending machines placed in locations other than within these types of establishments.

It is expected that the ABC would need to hire additional staff to process the registrations of the tobacco distributors. The ABC currently employs nine alcoholic beverage permit processors, five for retailer and dealer permits, three to process employee permits, and one to process other types of permits. The ABC estimates that it processes approximately 10,000 retailer and dealer permits and 45,000 employee permits each year.

This provision grants excise police officers full police powers and duties to enforce any law of this state relating to tobacco products. It also gives the ABC the power to examine, inspect, and search licensed premises where tobacco products are kept. While a percentage of the licensed premises will be establishments that are currently licensed to sell alcoholic beverages (for example certain drug and grocery stores, bars and restaurants), it is expected that a number of the establishments that are licensed to sell tobacco will not also sell alcohol (for example discount cigarette stores, gas stations, concession stands). Based on Census and ABC data, it is estimated that the bill would require the ABC to inspect an additional 7,500 locations.

The ABC currently has 55 excise police officers to investigate and inspect the 10,000 premises permitted for alcoholic beverages. The bill could require the ABC to hire more excise offices. If additional excise police officers are hired, there would be associated equipment expenses for each officer. Excise police officers are located in six district offices throughout the state.

This provision may result in an increase in the number of violations cited, which would increase costs associated with court appearances, depositions, and report drafting. The total cost of the additional inspections, including court appearances and report and deposition drafting is indeterminable. The ABC currently has one prosecutor to deal with violations and appeals related to alcoholic beverages.

Requirements in this bill could may make the district offices move to larger office space to handle additional excise officers and permit files.

The funds and resources required above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. As of January 2001, the ABC had no vacant positions. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: (2) This provision sets the annual registration fee for tobacco products retailer permit at \$25. Permit fee revenue is to be deposited in the Youth Antismoking Education Fund, created by this bill. If 17,500 locations apply for a permit, fee revenue would equal \$4.375 M per year.

This provision also establishes the Youth Antismoking Education Fund for the purpose of educating Indiana youth to prevent them from beginning to use tobacco products and encouraging Indiana youth who use tobacco products to cease its use. The Fund is to be administered by the State Department of Health (SDOH). The SDOH may use money in the fund to participate in joint ventures with other governmental agencies or public or private entities to carry out the purposes of the fund.

The Fund consists of money from the following sources: (1) fee revenue; (2) appropriations from the General

Assembly; (3) grants; and (4) gifts. Money in the fund at the end of the state fiscal year does not revert to the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Alcoholic Beverage Commission; State Department of Health.

Local Agencies Affected: Trial courts; Local law enforcement agencies.

Information Sources: Don Okey, Alcoholic Beverage Commission, 232-2463; U.S. Census Bureau, *1997 Economic Census*.